

Team Brokers

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The Problem

Investors and analysts often struggle with incomplete financial assessments, leading to misjudged investments and missed opportunities. Traditional methods fail to capture long-term stability, risk exposure, and profitability drivers, making it difficult to compare companies effectively. We are addressing this challenge by conducting a comprehensive financial health check, analyzing key metrics like liquidity, profitability, efficiency, solvency, and valuation. Through Benjamin Graham's investment principles and DuPont Analysis, we break down financial performance and risk factors, uncovering true strengths and weaknesses. To make insights more accessible, we are building an interactive financial dashboard, allowing for real-time comparisons of two competing companies. By structuring our analysis with data-driven precision, we empower investors to make informed decisions, identify sustainable growth opportunities, and mitigate financial risks.



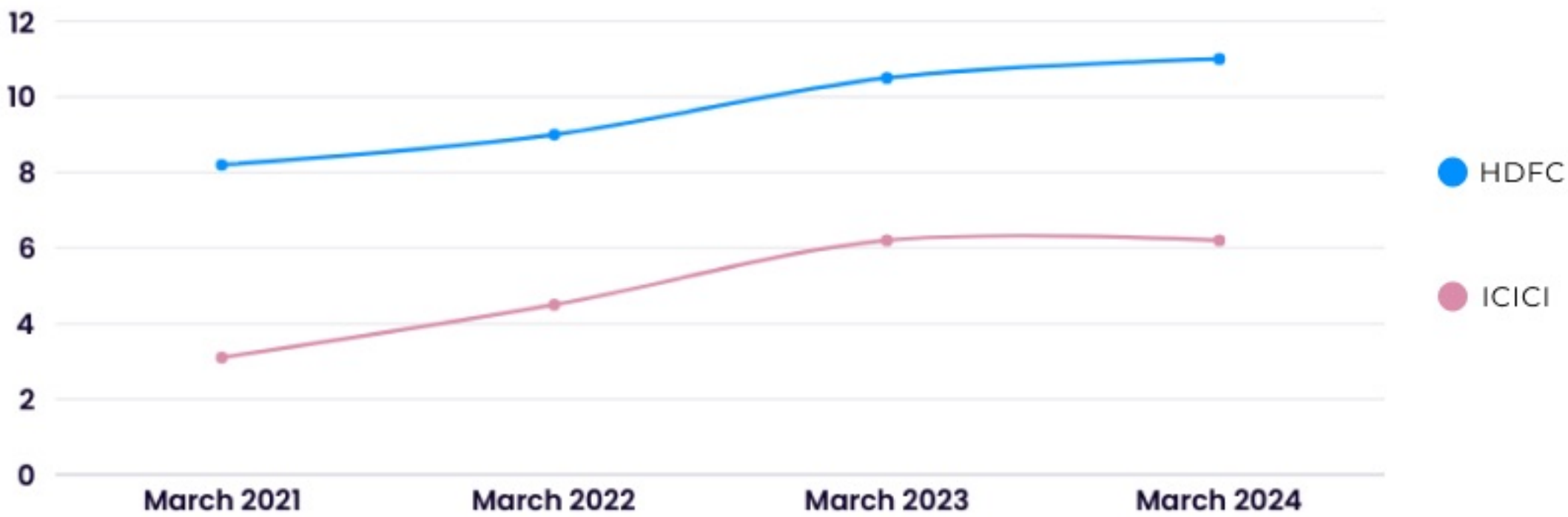
Companies Selected & Why

- Both ICICI Bank and HDFC Bank are key players in India's banking and financial services industry, contributing significantly to the country's economic growth.
- They have a strong retail and corporate banking presence, offering services like loans, wealth management, and digital banking solutions.
 - Given their dominance, they serve as a benchmark for comparing financial performance within the sector.

- ICICI Bank has a more aggressive growth strategy, focusing on expanding its loan book, digital transformation, and higher-risk lending.
- HDFC Bank is known for its conservative approach, maintaining strong asset quality, steady profitability, and disciplined risk management.
 - By comparing these two banks, we can analyze how different strategies impact financial stability and long-term growth.

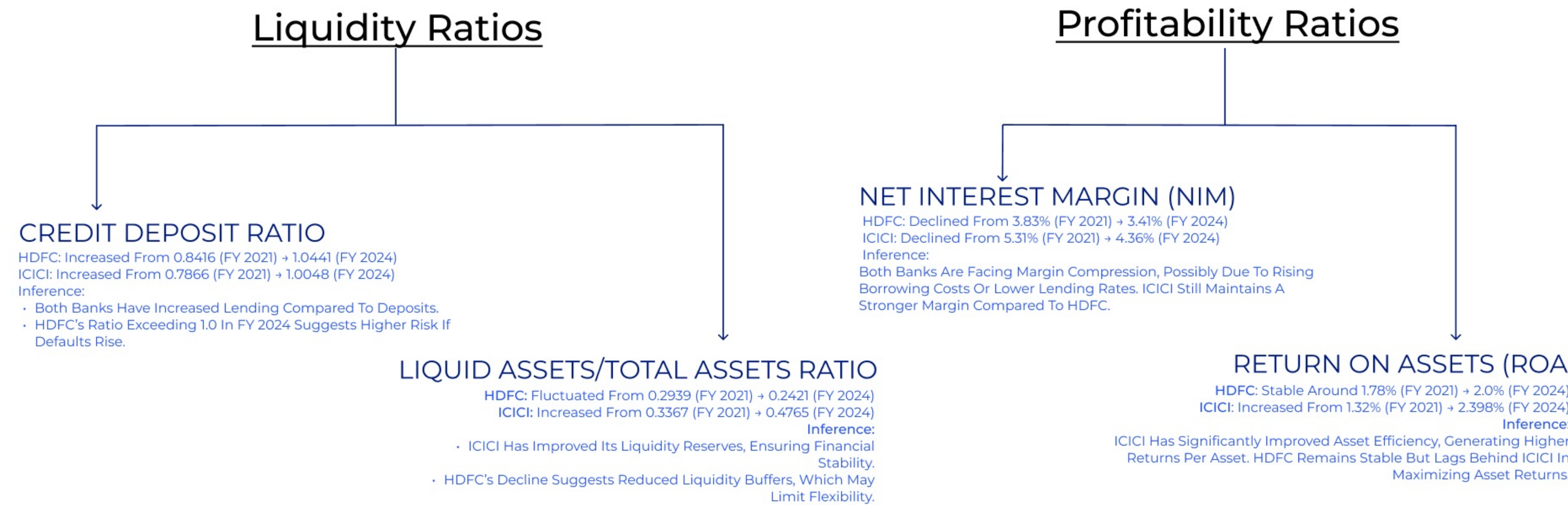
- ICICI Bank
 - 2nd largest private bank in India.
 - Market Cap: ₹8.4 trillion (2024).
 - Strong in retail lending.
- Expanding globally in 17+ countries.

- HDFC Bank
 - Largest private bank by market cap.
 - Market Cap: ₹12.1 trillion (2024).
 - Stable growth with lowest NPAs.
- Leader in home, car, and SME loans.



Market capitalization data for ICICI Bank and HDFC Bank

Financial ratios



Efficiency Ratios

ASSET TO EQUITY RATIO

HDFC: Decreased From 22.44% (FY 2021) → 20.61% (FY 2024)

ICICI: Increased From 37.21% (FY 2021) → 40.24% (FY 2024)

Inference:

HDFC Has Improved Cost Efficiency, Reducing Expenses Relative To Income. ICICI's Rising Costs Could Indicate Operational Inefficiencies.

DEBT TO EQUITY RATIO

ICICI: Improved From 16.51% (FY 2021) → 24.65% (FY 2024)

Inference:

Both Banks Have Improved Profitability, With HDFC Showing Stronger Operational Efficiency Gains.

Solvency Ratios

ASSET TO EQUITY RATIO

HDFC: Fluctuated From 8.57 (FY 2021) → 8.27 (FY 2024)

ICICI: Declined From 8.34 (FY 2021) → 7.66 (FY 2024)

Inference:

A Lower Ratio Suggests Reduced Leverage. Both Banks Are Maintaining Financial Stability, But ICICI Is Deleveraging More Aggressively.

DEBT TO EQUITY RATIO

HDFC: Fluctuated From 7.57 (FY 2021) → 7.27 (FY 2024)

ICICI: Increased From 7.34 (FY 2021) → 10.59 (FY 2024)

Inference:

ICICI's Rising Debt Reliance Raises Concerns About Financial Risk. HDFC Maintains A More Stable Leverage Structure.

Valuation Ratios

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graph TD; A[Valuation Ratios] --> B[PRICE TO BOOK VALUE]; A --> C[PRICE TO EARNINGS RATIO];
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PRICE TO BOOK VALUE

HDFC: Declined From 4.7 (FY 2021) → 2.61 (FY 2024)

ICICI: Increased From 2.71 (FY 2021) → 5.82 (FY 2024)

Inference:

ICICI's Rising PBV Suggests Strong Investor Confidence But Could Signal Overvaluation. HDFC's Decline Reflects A More Conservative Valuation.

PRICE TO EARNINGS RATIO

HDFC: Declined From 30.82 (FY 2021) → 17.61 (FY 2024)

ICICI: Fluctuated From 24.04 (FY 2021) → 22.51 (FY 2024)

Inference:

HDFC's Lower PE Suggests Improved Earnings Relative To Stock Price, Making It Potentially Undervalued. ICICI's Fluctuations Indicate Investor Uncertainty.

Valuation Ratios

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ICICI vs HDFC Comparision

Category	ICICI (FY 2024)	HDFC (FY 2024)	Better Bank
Liquid	High lending (CD Ratio = 1.0048) but strong liquid assets	Lower lending (CD Ratio = 1.0441) but lower liquid assets	ICIC for Liquidity
Profitability	Higher NIM (4.36%) and ROA (2.398%)	Lower NIM (3.41%) and ROA (2%)	ICIC is more Profitable
Efficiency	Higher cost-to-income (40.24%)	Lower cost-to-income (20.61%)	HDFC is more Efficient
Valuation	Higher P/B (5.82) and PE (22.51)	Lower P/B (2.61) and PE (17.61)	ICIC is more expensive HDFC is undervalued

Final Verdict on HDFC Bank

Benjamin Graham's Perspective

	PHASE 1 (ONBOARDING)	PHASE 2 (ASSEMBLING)	PHASE 3 (DEPLOYMENT)
EARNING CONSISTENCY	STABLE AND GROWING EARNINGS	IMPROVING ROA, BUT DECLINING NIM	✅ PASS
DEBT LEVELS	LOW DEBT-TO-EQUITY (<1)	HIGH LEVERAGE (7.27)	❌ FAIL
INTRINSIC VALUE	P/B < 1.5 & P/E < 15	OVERVALUED (P/B: 2.61, P/E: 17.61)	❌ FAIL
DIVIDEND STABILITY	REGULAR DIVIDEND PAYMENTS	CONSISTENT AND STABLE	✅ PASS

Final Verdict on ICICI Bank

Benjamin Graham's Perspective

	PHASE 1 (ONBOARDING)	PHASE 2 (ASSEMBLING)	PHASE 3 (DEPLOYMENT)
EARNING CONSISTENCY	STABLE AND GROWING EARNINGS	IMPROVING ROA, BUT DECLINING NIM	✅ PASS
DEBT LEVELS	LOW DEBT-TO-EQUITY (<1)	HIGH (10.59)	❌ FAIL
INTRINSIC VALUE	P/B < 1.5 & P/E < 15	OVERVALUED (P/B: 5.82, P/E: 22.51)	❌ FAIL
DIVIDEND STABILITY	REGULAR DIVIDEND PAYMENTS	CONSISTENT BUT LOW DIVIDENDS	✅ PASS

Calculation For Graham Score

Graham-Adjusted Fundamental Score (GAFS)

The Graham-Adjusted Fundamental Score (GAFS) is calculated as follows:

$$\begin{aligned} \text{GAFS} = & 0.2 \times \text{EPS Growth} + 0.15 \times \text{Debt Score} + \\ & 0.10 \times \text{Interest Coverage} + 0.10 \times \text{P/E Score} + \\ & 0.10 \times \text{P/B Score} + 0.15 \times \text{Intrinsic Value Score} + \\ & 0.05 \times \text{Current Ratio} + 0.05 \times \text{Quick Ratio} + \\ & 0.05 \times \text{Dividend Yield} + 0.05 \times \text{ROIC} \end{aligned}$$

Each metric is weighted based on its importance in assessing a company's overall financial health.

Benjamin Graham's Intrinsic Value estimates a stock's true worth.

It is compared to the current share price to assess valuation.

If **Intrinsic Value > Share Price**, the stock is undervalued (good buy).

If **Intrinsic Value < Share Price**, the stock is overvalued (may be risky).

Benjamin Graham's Perspective (20%)
Lower debt means financial stability.

Interest Coverage Ratio (20%)
Ability to pay off interest. Higher is better.

P/B Ratio (20%) (Asset Valuation)
Lower means undervalued stock.

Current Ratio(20%) (Liquidity)
Ability to meet short-term obligations.

Dividend Yield (20%)
Returns to investors. Higher is better.

Debt-to-Equity Ratio (20%)
Higher earnings indicate a strong business.

P/E Ratio (20%) (Valuation Check)
Lower means cheaper valuation

Graham's Intrinsic Value Score (20%)
Checks how much stock is worth fundamentally.

Quick Ratio (20%)
Liquidity after excluding inventories.

ROIC (Return on Invested Capital) (20%)
Measures efficiency in using capital.

Conclusion



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HDFC Bank demonstrates stronger financial stability and profitability compared to ICICI Bank. HDFC's lower debt-to-equity ratio (7.27 vs. 10.59) and a higher asset-to-equity ratio (8.27 vs. 7.66) indicate a more conservative approach to leverage, making it less risky during economic downturns. In terms of earnings quality, HDFC maintains a steadier Return on Assets (ROA), improving from 1.78% to 2.0%, whereas ICICI, despite growing from 1.32% to 2.398%, has had more volatility. While both banks are experiencing a decline in Net Interest Margin (NIM) due to market conditions, HDFC's drop (3.83% → 3.41%) is less severe compared to ICICI's sharp fall (5.31% → 4.36%), suggesting more resilience in core banking profitability. Additionally, HDFC has a more stable operating profit margin, reinforcing its position as the stronger bank in fundamental aspects.